

# LAZADA TANZANIA LIMITED BUSINESS PLAN

Neil Pringle

LAZADA TANZANIA LIMITED Dar Es Salaam

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## Executive Summary

Lazada Tanzania Limited is a new medium- and long-haul trucking and logistics business based on Dar es Salaam, Tanzania, and founded by Neil and Laura Pringle. Lazada Tanzania Limited will serve businesses in Tanzania (eventually expanding to East and Central Africa) with freight hauling and logistics management services. The business will develop a reputation for its on-time and accurate services. The business will be managed by Neil Pringle, CEO, and Laura Pringle as a Chief Operating Officer.

Lazada Tanzania Limited can be launched for about \$745,000, largely with the investment of Neil and Laura Pringle. The business will be launched with three 18-wheeler trucks and will expand its operations to utilize eight 18-wheelers by the end of its third year, using revenues to finance this expansion. Gross margins will be around 60%, allowing for significant profit by the end of the third year as the business scales up.

Beyond three years, the business will seek to expand to additional bases of operation in East and Central Africa and to add trucks with refrigerated and temperature-controlled trailers to reach a capacity of thirty 18-wheeler trucks. Currently logistics companies with this level of trucks can transport a cumulative 2.4m tons of cargo per trip.

### *A. Objectives*

#### **Objectives**

Lazada Tanzania Limited intends to serve businesses in Tanzania with truck-based distribution services.

Over the first five years of operations, Lazada Tanzania Limited will seek to meet the following objectives:

- Establish bases in major cities in Tanzania such as Arusha, Mwanza, Mbeya and Dodoma
- Import 2 18-wheeler trucks with trailers every year and assemble them in Tanzania
- Hire 30 full-time truck drivers
- Achieve strong annual revenue in the fifth year

### *B. Vision/Mission Statement*

#### **Mission**

Lazada Tanzania Limited will simplify distribution of goods for Tanzania businesses, becoming their partner in operating efficiently and reliably. Lazada Tanzania Limited will use management of logistics, on-time, accurate deliveries from destination to destination in Tanzania, and partnerships with distribution centers and warehousing businesses to achieve its goals.

#### **Keys to Success**

The keys to success in the trucking business are:

1. Robust communication systems between drivers, bases, and clients
2. Setting delivery schedules that can be met (i.e. setting the right expectations)
3. Hiring and retaining reliable, safe drivers

4. Understanding what clients are trying to achieve, and helping them find the right distribution solution to create long-term relationships

## Company Summary

Lazada Tanzania Limited, a startup truck company headquartered in Dar es Salaam, Tanzania, will provide trucking and logistics management solutions for business clients around Tanzania. Beginning with operations in Dar es Salaam, the business will haul freight from suppliers to manufacturers to distributors and retailers, operating in partnership with distribution centers, warehouses, and wholesalers around the region.

The start-up expenses include some of the basic set-up costs for the Lazada Tanzania Limited office – stationery (business cards and letterhead), rent for the office and a large adjacent parking lot for three month’s rent and one month’s security at \$2,000 per month, and computer equipment. Marketing expenses include brochures and website development. Other expenses include legal consultation fees to ensure that all precautions are taken to limit the risk of the business and to establish templates for client and partner agreements, insurance premiums for the first year of operation to cover liability associated with the service, the office, and the trucks, and licenses and permits for the business.

Cash required will be used to fund the months of operation before cash flow break-even is achieved and to allow for adequate cash reserves to reduce the risk of running low on cash if targets are not met. Other current assets include office supplies, software for accounting, scheduling, and resource management and light equipment. Long-term assets include two new 18-wheelers, estimated at \$150,000 each (approximately \$120,000 for the cab and \$30,000 for the trailer). The business will purchase new to better ensure that deliveries are made on time and that the usual risks of aging equipment are avoided. \$50,000 is budgeted for two forklifts estimated at \$25,000 each, one per truck. The company will also purchase SUVs such as Toyota Prado, Landcruiser, VX and Mercedes Benz to cater for different customers, these vehicles will cost approximately \$225,000. Moreover, \$25,000 is budgeted for long-term assets including repair equipment and tools which it is cost-effective to own in-house, satellite-tracking equipment for each truck, and office furniture.

While some trucking businesses hire owner-operators of trucks, Lazada Tanzania Limited will maintain greater control over the service it offers by owning the trucks, ensuring that it always lives up to its name.

<b>Startup</b>	
<b>Startup Expenses</b>	
Legal	\$ 3,000.00
Stationery	\$ 900.00
Insurance	\$ 10,000.00
Rent	\$ 8,000.00
Computer	\$ 3,000.00
Licenses and Permits	\$ 2,500.00
Website Development	\$ 5,000.00
Brochures	\$ 2,000.00

<b>Total Startup Expenses</b>	<b>\$ 34,400.00</b>
<b>Startup Assets</b>	
Cash/Cash Equivalent	\$ 90,000.00
Current Assets	\$ 20,000.00
Long-term Assets	\$ 600,000.00
<b>Total Startup Assets</b>	<b>\$ 710,000.00</b>
<b>Total Startup Fund</b>	<b>744,400.00</b>

Figure 1: Startup Funding

A. Success Factors

Lazada Tanzania Limited is specially qualified to succeed due to the following reasons:

- **Human Resources:** Lazada Tanzania Limited founders Neil and Laura Pringles have worked in the Trucking and Logistics industry in Uganda over the last 10 years, and throughout East Africa over the last 15 years.
- **Local Experience:** Previous trucking and logistics experience within the selected areas, has enabled Lazada Tanzania Limited to specifically select projects having high potential for the development of long-term contracts for future sales.
- **Operational Systems:** A team of people experienced in the specific requirements in the trucking and logistics sector, sales and marketing associates who have a diversified knowledge of the industry and efficiency of our systems to deliver on-time and effectively.
- **Expert Advice:** Lazada Tanzania Limited maintains regular contact with nationally renowned Trucking and Logistics Companies, specialists in the manufacturing industry and local consultants.
- **Success achieved to date:** Lazada Tanzania Limited has already lodged applications for the Permits and Licenses for the Trucking and Logistics Industry.

Products/Services

Lazada Tanzania Limited will offer the following services for businesses in Tanzania:

- Pick-up and delivery of goods from and to locations in its geographic range by 18-wheeler trucks

- Online tracking information detailing the location of all GPS-tagged trucks and the status of deliveries, including expected arrival times for pick-up or delivery
- Phone support for all customer questions, delivery changes, and scheduling
- Preferred client services including online accounts, regular schedules of shipping, or linking of client order information directly to Lazada's scheduling software to allow for seamless logistics

To maintain its competitiveness in its core services, Lazada Tanzania Limited will NOT offer:

- Storage or warehousing of goods awaiting delivery (goods can remain in storage in trucks for short periods, but at relatively high cost to customers)
- Packaging and crating

In the future, Lazada Tanzania Limited will add the following services:

- Temperature-controlled shipping to expand the range of customers Lazada can appeal to

Trucks are operated by qualified and well-trained drivers with spotless records. Drivers are safety trained and re-tested for knowledge of laws as they change. A dedicated suite of software and communication systems will allow for the logistical management mentioned above.

## Market Analysis Summary

The trucking and Logistics industry in Tanzania serves as a key link between raw material suppliers, manufacturers, wholesalers, distributors, and retailers in most industries. According to the African Development Bank report, road transport is the most widely used form of transport in Tanzania, carrying over 75% of the freight traffic in the country. Therefore, there is still a lot of opportunity in the trucking and logistics sector and due to the widely use means of transportation Lazada Tanzania Limited can obtain a fair market share. Moreover, the report states that As of 2013, 19% of Tanzania's national roads (6,439.29km) and 2% of its district roads (1,069.2km) are paved which is good given it will make it easier to deliver goods on-time and efficiently.

Lazada Tanzania Limited will compete in the market for medium and long-haul van trucking in Tanzania. This market serves businesses ranging from the packaged goods/grocery industry to the clothing industry to high-tech equipment, as well as commercial relocations.

### *A. Market Segmentation*

The market analysis table covers likely market segments within Tanzania which Lazada Tanzania Limited will serve.

1. **Raw Material Suppliers** ship large quantities of materials to large manufacturers in the around Tanzania These materials generally do not require refrigeration or temperature control. Manufacturers maintain some on-site storage for these supplies and generally have some leeway as to when deliveries can be received, except when projections are mistaken, and supplies drop low. Packaging supplies also must be shipped to manufacturers and are included in this group.
2. **Manufacturers** often outsource the distribution of their goods to businesses that specialize in serving one the type of retailer or business. Their packaged goods are often

shipped to only one wholesaler/distributor, creating a regular business in shipping between the two locations

3. **Wholesalers/Distributors** that serve large retailers assemble truckloads of goods from the many manufacturers they serve. While they often have their own trucks or distribution means, some of these firms do not either because they are smaller or because they attempt to limit their investment in assets. Others may require additional trucking support when they are operating at capacity but not prepared to expand their shipping capacity.

#### *B. Target Market Segment Strategy*

Lazada Tanzania Limited will begin by focusing specifically on the segment of manufacturers in Dar es Salaam, expanding after the first year to the other major cities in Tanzania. By serving manufacturers, Lazada Tanzania Limited can provide an affordable shipping solution for new and growing manufacturers over purchasing their own trucks.

Raw material suppliers sometimes require flatbed or bulk/tank trucking which will not be an initial service offered by Lazada Tanzania Limited and wholesalers often have their own trucks. These segments are expected to yield some customers, but by focusing first on the middle of the supply chain with manufacturers, Lazada Tanzania Limited will be introduced to suppliers and distributors who may require their services without having to engage in full marketing campaigns to these segments.

#### *C. Competition and Buying Patterns*

In addition to competing with other trucking companies, including national carriers, Lazada Tanzania Limited will compete with rail and air cargo transportation. However, for the distances it intends to travel, and due to the limited use of rail transportation in the country, trucking is at an advantage.

Shippers choose between trucking companies based on:

- Their track record of on-time and accurate deliveries
- Their price
- Their ability to partner with the shipper to offer logistics expertise and added services

## Strategy and Implementation Summary

Lazada Tanzania Limited will focus its strategy on the following areas:

- Building and maintaining its on-time reputation to command revenue slightly over the industry average
- Targeting manufacturers in Dar es Salaam in the first wave of marketing as the segment most in need of Lazada Tanzania Limited's services

#### *A. Competitive Edge*

Lazada Tanzania Limited will establish a competitive edge through its dogged focus on on-time deliveries for its specific target market. Software systems, communication systems, operational choices and marketing materials will all be oriented around this goal. By making customers more assured of on-time delivery with Lazada Tanzania Limited than with competitors, they will be

more likely to use the business overall, as they can never be sure when a few hours can make an incredible difference to their potential revenues or expenses.

### *B. Marketing Strategy*

Lazada Tanzania Limited will attempt to rapidly achieve awareness in Dar es Salaam and other major cities in Tanzania about its business in the first year, followed with awareness in Eastern and Central Africa in future years. It will seek to position itself not as the most inexpensive carrier, but as a carrier with the best on-time record coupled with advanced systems to help clients manage their logistics better. Smaller businesses may feel more comfortable working with a smaller carrier as they fear being lost in the shuffle by bigger carriers who also handle huge accounts.

- Building a website with visibility on search engines and in databases of trucking companies
- Creating a compelling brochure of Lazada Tanzania Limited services which will be distributed through direct mail, and kept in stock for networking events
- Exhibiting at Dar es Salaam business service conferences, especially for sectors of the manufacturing industry
- Advertisements in trade publications
- Public relations efforts including press releases related to the business launch and its unique preferred client account management package

### *C. Sales Strategy*

Neil Pringle will manage sales for the business, making appointments with and traveling to client businesses in the region and around the country when necessary to establish relationships based on an understanding of the client’s needs for shipping. Mr. Pringle will prospect from a list of manufacturer businesses in the country, starting with small and new businesses which may not have established a long-term relationship with a carrier yet.

### *D. Sales Forecast*

The cost of sales listed here for per-km shipping is approximately 25% for fuel based on the estimated 80km/hour for loaded trucks, and another 25% for truck driver labor hours that can be assigned to the jobs based on Tshs 300,000/trip rate.

<b>Sales Forecast</b>					
<b>Unit Sales</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Kilometres	219,266.86	368,163.14	490,884.18	613,605.23	767,006.53
Unit Prices	2.13	2.19	2.26	2.33	2.40
<b>Total Sales</b>	<b>467,038.40</b>	<b>807,713.10</b>	<b>1,109,259.33</b>	<b>1,428,171.39</b>	<b>1,838,770.66</b>
Direct Unit Cost	1.07	0.99	0.90	0.93	0.96
<b>Direct Cost of Sales</b>	<b>233,519.20</b>	<b>363,470.90</b>	<b>443,703.73</b>	<b>571,268.56</b>	<b>735,508.27</b>

*Figure 2: Sales Forecast*

### *E. Milestones*

The milestones table covers the early marketing activities described in the marketing strategy summary. The first two milestones (website and brochure) are budgeted under start-up expenses and the remainder are budgeted under the first-year marketing budget for operations.

Milestones					
Milestone	Start Date	End Date	Budget	Manager	Department
Create Brochure	5-Jan-21	20-Jan-21	\$ 2,000.00	Neil	Marketing
Create Website	22-Jan-21	12-Feb-21	\$ 5,000.00	Neil	Marketing
Run First Advertisement	15-Feb-21	8-Mar-21	\$ 10,000.00	Neil	Marketing
First Trade Show (Pre and Run)	11-Mar-21	16-Mar-21	\$ 5,000.00	Neil	Marketing
<b>Totals</b>			<b>\$ 22,000.00</b>		

Figure 3: Milestones

### Management and Organization

Neil Pringle, CEO, will manage the strategic direction, sales and marketing of Lazada Tanzania Limited. He developed experience in all of these areas through running a similar company in Uganda, which he launched and successfully ran for more than fifteen years and now he wants to expand to Tanzania.

The Chief Operating Officer position will be filled by his wife Laura Pringle who will manage operations, finances, human resources, and procurement.

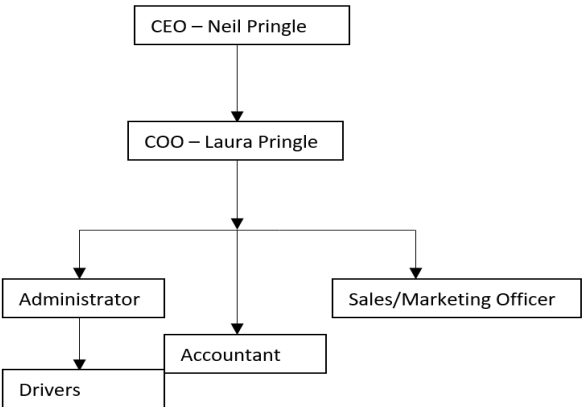
The business will require additional personnel including an administrator/dispatch center operator, a sales/marketing support associate, and an accountant. These individuals will be managed by the COO and the CEO, respectively. The 2 part-time truck drivers and 6 part-time SUVs drivers will be hired initially.

#### A. Personnel Plan

Truck driver salary listed here covers only wages paid which are not directly attributable to client jobs. This includes training, repair work, returns from deliveries, and other required driving with empty trucks. It is expected that this will be less than 20% of driver wages. Truck drivers will grow from 2 part-time at launch to 4 full-time by the end of year 1, 8 full-time by the end of year 2, 10 full-time by the end of year 3 and 40 full-time by the end of Year 5. There will be more full-time truck drivers than trucks as the business will attempt to utilize the capacity of the trucks at least 60 hours per week and will limit overtime of drivers.

The sales/marketing associate will be hired in the fourth month after the CEO has directly executed all sales and marketing operations for the first three months.

### LAZADA ORGANIZATIONAL CHART



## *B. Social Responsibility*

In Lazada Tanzania Limited we believe that the ways we do business express our values, commitments, and ethical principles and through these we achieve our goals.

Lazada Tanzania Limited stimulates social and economic development in the countries where it operates. We promote better quality of people's life and respect for the environment all over the world. We think caring for our employees, our clients and contribute the improvement of social and environmental aspects help the creation of a better future for everyone and for this Lazada Tanzania Limited's actions are promoted in this sense.

- **Help employees and their families -Personal and professional development**

Our employees are the driving force of the company and for this they are an important pillar, and we rely on them. We create links based in reliability and respect to generate an adequate work environment through every employee can achieve their potential. The improvement of their professional skills with training programs and offering them new opportunities, ensure they feel satisfied and performed their job well. Health and Safety First. Safety and wellbeing of our employees and clients take the first place in our corporate strategy; for that reason, our group of policies and procedures follow the highest international standards.

- **Local communities**

From Lazada Tanzania Limited we collaborate growing and developing local communities where we operate in, with the aim of improve their quality of life, exchange experiences and thus promote a positive evolution in social-economic features.

- **Commitment**

Our initiatives promote economic and social development between local communities

- **Facilities Support**

Our company provides shared management and economic assistance to develop projects such as delivery of equipment to obtain potable water and electricity in certain areas were resources are limited.

## Financial Plan

Lazada Tanzania Limited will establish its business with two trucks, two forklifts and six SUVs vehicles and a launch financed by the owner's equity. Starting debt-free will enable the business to take on debt once it has established cash flows to purchase additional trucks over the first three years. Profits will swing positive in the second year after a loss in the first year.

After the first three years, the business can sustain growth of at least three additional trucks per year, and begin to add additional bases of operation throughout the country so that truck drivers who do not live in the Dar es Salaam can be hired and trucks do not have to return to this base after all jobs.

Dividends will not be paid out, as cash will be used in the business to prepare for expansion to additional offices and purchase equipment on better terms going forward.

### *A. Start-up Funding*

Neil and Laura Pringle will provide most of the start-up funding out of savings and gains from their previous investments. With the plan for expansion within the next three years, Neil and Laura Pringle will use their profits to purchase more trucks and vehicles to increase their capacity to cater for the Eastern and Central Africa Zones.

### *B. Important Assumptions*

The business assumes the cost of fuel at an average of the past two years, slightly higher than today's fuel prices. This is considered a conservative estimate as it is possible that fuel will stay below this number during at least part of the start-up phase. However, if fuel becomes significantly more expensive, the gross margins of the business will drop.

### *C. Projected Profit and Loss*

Major expenses include:

- **Payroll:** Covers the management, staff, and truck driver wages (when not directly attributed to jobs)
- **Marketing/Promotion:** Projected higher in the first year and then dropping due to extra marketing devoted to the launch and the weaning off search engine marketing over time
- **Depreciation:** Reflects the growing investment in trucks and equipment over the years. Trucks are depreciated on a 10-year straight-line schedule. The depreciation is \$1,250 per month per truck or \$1,458 per month including the additional equipment purchased with each truck. The business will grow from 2 trucks at the end of year 1 to 4 at the end of year 2 to 6 at the end of year 3, 8 at the end of Year 4 and 10 at the end of Year 5.
- **Truck Maintenance/Repair:** Estimated at \$300 per month per truck to start and rising to \$350 in year 5 due to aging of some of the first trucks purchased.
- **Rent & Utilities:** Projected to rise slightly due to inflationary increases
- **Insurance:** Will grow with the number of trucks and size of operations
- **Payroll Taxes:** Applied to payroll as listed and half of the direct cost of sales (truck driver wages)
- **Licensing and Permitting:** Include ongoing renewals of licenses and additional licenses for new trucks as they are purchased

The business expects a net loss in the first year as operations and sales scale up appropriately. Net profits will begin in the second year.

<b>Pro Forma Profit and Loss</b>					
<b>Sales</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Sales	467,038.40	807,713.10	1,109,259.33	1,428,171.39	1,838,770.66
Direct Cost of Sales	(233,519.20)	(363,470.90)	(443,703.73)	(571,268.56)	(735,508.27)
<b>Gross Margin</b>	<b>233,519.20</b>	<b>444,242.21</b>	<b>665,555.60</b>	<b>856,902.83</b>	<b>1,103,262.40</b>
	50.00%	55.00%	60%	60%	60%
<b>Expenses</b>					
Payroll	140,400.00	143,208.00	146,072.16	148,993.60	151,973.48
Marketing/Promotion	60,000.00	48,000.00	28,800.00	17,280.00	10,368.00
Depreciation	60,000.00	84,000.00	107,000.00	107,000.00	107,000.00
Repairs/Maintanance	36,000.00	36,720.00	37,454.40	38,203.49	38,967.56
Rent	24,000.00	24,480.00	24,969.60	25,468.99	25,978.37
Utilities	6,000.00	6,120.00	6,242.40	6,367.25	6,494.59
Insurance	31,860.00	44,604.00	56,817.00	56,817.00	56,817.00
Payroll Taxes	35,100.00	35,802.00	36,518.04	37,248.40	37,993.37
Licenses/Permits	2,500.00	2,550.00	2,601.00	2,653.02	2,706.08
Web hosting/development	2,000.00	2,100.00	2,205.00	2,315.25	2,431.01
<b>Total Operating Expenses</b>	<b>397,860.00</b>	<b>427,584.00</b>	<b>448,679.60</b>	<b>442,347.00</b>	<b>440,729.46</b>
Profits Before Interest and Taxes	(164,340.80)	16,658.21	216,876.00	414,555.83	662,532.94
Taxes Incurred	-	(4,997.46)	(65,062.80)	(124,366.75)	(198,759.88)
<b>Net Profit/(Loss)</b>	<b>(164,340.80)</b>	<b>11,660.75</b>	<b>151,813.20</b>	<b>290,189.08</b>	<b>463,773.06</b>

Figure 4: Pro Forma Profit and Loss

#### D. Projected Cash Flow

Purchases of new trucks and vehicles will be made in cash with the fund that Neil and Laura Pringle. All additional trucks and vehicles will be purchased either with revenues from the business in the second year or from a loan that the company will service in the second year and review the financial plan once the loan is obtained.

<b>Pro Forma Cash Flow</b>					
<b>Cash Flow From Operations</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Cash Sales	280,223.04	565,399.17	887,407.46	1,142,537.11	1,471,016.53
Addback Interest Expense	-	-	-	-	-
Depreciation and Amortization	60,000.00	84,000.00	107,000.00	107,000.00	107,000.00
Gain/Loss on Sale of Assets	-	-	-	-	-
Change in Receivables	(186,815.36)	(242,313.93)	(221,851.87)	(285,634.28)	(367,754.13)
Change in Payables	79,572.00	85,516.80	89,735.92	88,469.40	88,145.89
Change in Other Current Liabilities	-	-	-	-	-
<b>Total Cash From Operations</b>	<b>232,979.68</b>	<b>492,602.04</b>	<b>862,291.52</b>	<b>1,052,372.23</b>	<b>1,298,408.29</b>
<b>Cash Flow for Investing Activities</b>					
Cash Spending	(233,519.20)	(363,470.90)	(443,703.73)	(571,268.56)	(735,508.27)
Bill Payments	(318,288.00)	(342,067.20)	(358,943.68)	(353,877.60)	(352,583.57)
<b>Total Cash for Operations</b>	<b>(551,807.20)</b>	<b>(705,538.10)</b>	<b>(802,647.41)</b>	<b>(925,146.16)</b>	<b>(1,088,091.83)</b>
<b>Cash Flow from Financing</b>					
Change in Financial Debt	-	-	-	-	-
Interest Charges	-	-	-	-	-
Equity Financing	745,000.00	240,000.00	260,000.00	320,000.00	280,000.00
Dividends	-	-	-	-	-
<b>Total Cash from Financing</b>	<b>745,000.00</b>	<b>240,000.00</b>	<b>260,000.00</b>	<b>320,000.00</b>	<b>280,000.00</b>
<b>Change in Cash</b>	<b>426,172.48</b>	<b>27,063.94</b>	<b>319,644.11</b>	<b>447,226.08</b>	<b>490,316.46</b>
Cash Beginning	-	426,172.48	453,236.42	772,880.53	1,220,106.61
<b>Cash End of Year</b>	<b>426,172.48</b>	<b>453,236.42</b>	<b>772,880.53</b>	<b>1,220,106.61</b>	<b>1,710,423.06</b>

Figure 5: Pro Forma Cash Flow

### E. Projected Balance Sheet

The balance sheet illustrates the launch of the business on equity financing. This will allow cash and assets, as well as net worth, to continue to grow.

Retained earnings will be negative due to the loss sustained in the first year of operation and the start-up phase but will move closer to positive in the third year after a profitable second year.

<b>Pro Forma Balance Sheet</b>					
<b>Assets</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Cash	426,172.48	453,236.42	772,880.53	1,220,106.61	1,710,423.06
Accounts Receivables	186,815.36	242,313.93	221,851.87	285,634.28	367,754.13
Other Current Assets	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00
<b>Total Current Assets</b>	<b>632,987.84</b>	<b>715,550.35</b>	<b>1,014,732.40</b>	<b>1,525,740.88</b>	<b>2,098,177.20</b>
<i>Long-term Assets</i>					
Long-term Assets	600,000.00	780,000.00	636,000.00	385,000.00	134,000.00
Accumulated Depreciation	(60,000.00)	(144,000.00)	(251,000.00)	(251,000.00)	(251,000.00)
<b>Total Long-term Assets</b>	<b>540,000.00</b>	<b>636,000.00</b>	<b>385,000.00</b>	<b>134,000.00</b>	<b>(117,000.00)</b>
<b>Total Assets</b>	<b>1,172,987.84</b>	<b>1,351,550.35</b>	<b>1,399,732.40</b>	<b>1,659,740.88</b>	<b>1,981,177.20</b>
<b>Liabilities &amp; Equity</b>					
<i>Current Liabilities</i>					
Accounts Payable	79,572.00	85,516.80	89,735.92	88,469.40	88,145.89
Short-term Loans	-	-	-	-	-
Other Current Liabilities	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>79,572.00</b>	<b>85,516.80</b>	<b>89,735.92</b>	<b>88,469.40</b>	<b>88,145.89</b>
<i>Long-term Liabilities</i>					
<b>Total Liabilities</b>	<b>79,572.00</b>	<b>85,516.80</b>	<b>89,735.92</b>	<b>88,469.40</b>	<b>88,145.89</b>
<i>Equity</i>					
Equity	1,257,756.64	1,254,372.81	1,158,183.28	1,281,082.40	1,429,258.25
Retained Earnings	-	-	-	-	-
Earnings	(164,340.80)	11,660.75	151,813.20	290,189.08	463,773.06
<b>Total Equity</b>	<b>1,093,415.84</b>	<b>1,266,033.56</b>	<b>1,309,996.48</b>	<b>1,571,271.48</b>	<b>1,893,031.31</b>
<b>Total Liabilities &amp; Capital</b>	<b>1,172,987.84</b>	<b>1,351,550.36</b>	<b>1,399,732.40</b>	<b>1,659,740.88</b>	<b>1,981,177.20</b>

Figure 6: Pro Forma Balance Sheet

## F. Valuation

The valuation of the business cannot be done using the projections from the three years estimation but rather five to ten years down the line. Therefore, the Table below shows the NPV, IRR and Payback period of the business in ten years, using the real risk-adjusted discount rate in Tanzania which is 13.5% on average and the Inflation rate of 2%.

The payback period of the business is 6 years and 3 months, and the Internal Rate of Return is 24.86% and the Net Present Value of the business is \$1.34 Million.

The market value of the business will be determined after ten years, when the business is best poised for sale. The valuation of the business is expected to be between \$1.5Million and \$2million for a strategic sale to an international trucking and logistics operator at that point.

LAZADA TANZANIA LIMITED												
	Income Tax Rate (%)	30%										
	Salvage Value (% of Capital Costs)	10%										
	Real Risk-adjusted Discount Rate (%)	13.5%										
	Inflation (%)	2%										
Year	0	1	2	3	4	5	6	7	8	9	10	TOTAL
<b>PRODUCTION</b>												
Kilometers	360	360	360	360	360	360	360	360	360	360	360	360
Price per Kilometers	0	219,267	368,163	490,884	613,605	767,007	958,758	1,198,448	1,498,060	1,872,575	2,340,718	
<b>REVENUE</b>												
Gross Income	467,038.40	807,713.10	1,109,259.33	1,428,171.39	1,838,770.66	2,367,417.23	3,048,049.68	3,924,363.96	5,052,618.60	6,505,246.45	8,505,246.45	2,384,010.84
Total Gross Income	467,038.40	807,713.10	1,109,259.33	1,428,171.39	1,838,770.66	2,367,417.23	3,048,049.68	3,924,363.96	5,052,618.60	6,505,246.45	8,505,246.45	2,384,010.84
<b>OPERATING COSTS</b>												
Payroll	140,400.00	143,208.00	146,072.16	148,993.60	151,973.48	155,012.94	158,113.20	161,275.47	164,500.98	167,791.00	171,100.00	429,680.16
Marketing/Promotion	60,000.00	48,000.00	28,800.00	17,280.00	10,368.00	6,220.80	3,732.48	2,239.49	1,343.69	806.22	430.22	806.22
Depreciation	60,000.00	84,000.00	107,000.00	107,000.00	107,000.00	107,000.00	107,000.00	107,000.00	107,000.00	107,000.00	107,000.00	1,070,000.00
Repairs/Maintenance	36,000.00	36,720.00	37,454.40	38,203.49	38,967.56	39,746.91	40,541.85	41,352.68	42,179.74	43,023.33	43,882.33	430,233.33
Rent	24,000.00	24,480.00	24,969.60	25,468.99	25,978.37	26,497.94	27,027.90	27,568.46	28,119.83	28,682.22	29,254.66	286,822.22
Utilities	6,000.00	6,120.00	6,242.40	6,367.25	6,494.59	6,624.48	6,756.97	6,892.11	7,029.96	7,170.56	7,316.00	71,710.56
Insurance	31,860.00	44,604.00	56,817.00	56,817.00	56,817.00	56,817.00	56,817.00	56,817.00	56,817.00	56,817.00	56,817.00	568,170.00
Payroll Taxes	35,100.00	35,802.00	36,518.04	37,248.40	37,993.37	38,753.24	39,528.30	40,318.87	41,125.24	41,947.75	42,780.00	429,680.16
Licenses/Permits	2,500.00	2,550.00	2,601.00	2,653.02	2,706.08	2,760.20	2,815.41	2,871.71	2,929.15	2,987.73	3,047.50	29,877.73
Web hosting/development	2,000.00	2,100.00	2,205.00	2,315.25	2,431.01	2,552.56	2,680.19	2,814.20	2,954.91	3,102.66	3,253.00	31,026.66
Total Operating Cost	397,860.00	427,584.00	448,679.60	472,347.00	498,739.46	527,532.94	558,813.30	592,649.99	630,149.99	672,521.22	720,328.48	1,274,123.60
<b>TAX</b>												
Gross Revenue	467,038.40	807,713.10	1,109,259.33	1,428,171.39	1,838,770.66	2,367,417.23	3,048,049.68	3,924,363.96	5,052,618.60	6,505,246.45	8,505,246.45	2,384,010.84
Less: Cost of Goods sold	(233,519.20)	(363,470.90)	(443,703.73)	(571,268.56)	(735,508.27)	(946,966.89)	(1,219,219.87)	(1,569,745.59)	(2,021,047.44)	(2,602,098.58)	(3,343,317.01)	(1,040,693.83)
Net Revenue	233,519.20	444,242.21	665,555.60	856,902.83	1,103,262.40	1,420,450.34	1,828,829.81	2,354,618.38	3,031,571.16	3,903,147.87	5,161,929.44	1,343,317.01
Less: Operating Costs	(397,860.00)	(427,584.00)	(448,679.60)	(472,347.00)	(498,739.46)	(527,532.94)	(558,813.30)	(592,649.99)	(630,149.99)	(672,521.22)	(720,328.48)	(1,274,123.60)
Taxable Income	(164,340.80)	16,658.21	216,876.00	414,555.83	662,522.94	892,917.40	1,270,016.51	1,761,968.39	2,401,421.17	3,230,626.65	4,441,600.96	1,069,193.41
Less: Tax	(49,302.24)	4,997.46	65,062.80	124,366.75	198,759.88	293,539.28	415,144.95	571,640.52	773,271.20	1,033,145.82	1,372,521.22	20,758.02
<b>CAPITAL INVESTMENT</b>												
Capital Investment	635,000.00	240,000.00	260,000.00	320,000.00	280,000.00	-	-	-	-	-	-	1,455,000.00
Working Capital	110,000.00	-	-	-	-	-	-	-	-	-	-	110,000.00
Total Capex Cash Flow	745,000.00	240,000.00	260,000.00	320,000.00	280,000.00	-	-	-	-	-	-	1,565,000.00
<b>CASH FLOW</b>												
Net Income After Tax	-	(115,038.56)	11,660.75	151,813.20	290,189.08	463,773.06	684,924.98	968,671.56	1,333,827.87	1,804,299.47	2,410,673.59	48,435.39
Less: Capital Cost	635,000.00	240,000.00	260,000.00	320,000.00	280,000.00	-	-	-	-	-	-	1,455,000.00
Net Cash Flow	(745,000.00)	(355,038.56)	(248,339.25)	(168,186.80)	10,189.08	463,773.06	684,924.98	968,671.56	1,333,827.87	1,804,299.47	2,410,673.59	(1,516,564.61)
Cumulative Cash Flow	(745,000.00)	(1,100,038.56)	(1,348,377.81)	(1,516,564.61)	(1,506,375.53)	(1,042,602.48)	(357,677.50)	610,994.06	1,944,821.93	3,749,121.40	6,159,794.99	(4,709,980.99)
<b>NPV @ 13.5% (\$)</b>	<b>1,347,374.56</b>											
<b>IRR</b>	<b>24.86%</b>											
<b>Payback Period</b>	<b>CCF-Negative</b>	<b>CCF-Negative</b>	<b>CCF-Negative</b>	<b>CCF-Negative</b>	<b>CCF-Negative</b>	<b>CCF-Negative</b>	<b>CCF-Negative</b>	<b>6.37</b>	<b>CCF-Positive</b>	<b>CCF-Positive</b>	<b>CCF-Positive</b>	

Figure 7: Financial Analysis

## Contingency Plans

While careful planning was involved in setting the strategic goals for Lazada Tanzania Limited, it may be that these goals are not met. For Lazada Tanzania Limited have decided to set a zone of acceptability for meeting sales and financial objectives. For both sales and financial objectives, a 15% negative deviation from expected sales and projected returns on assets will be accepted. However, if sales objectives and returns on investment are less than 85% of projections, certain actions will be taken. These actions include:

- For unacceptable sales levels during the first year: Lazada Tanzania Limited will combat this problem by extending the industry for entry and not only to limit our entry to the trucking and logistics industry.
- For unacceptable business liquidity: In the event that the business lacks liquidity, Lazada Tanzania Limited will examine their accounts receivable procedures to ensure that payment periods are just and that payments are being received in a timely manner. Also, cash flow projections will be reviewed to determine if unforeseen cash layouts/expenses are undermining the financial health of the enterprise.

